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**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA**

**JOINTLY OWNED GAS LINE  
OPERATION AND MAINTENANCE FUND  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2001**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-19-01

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA**

**JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

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**SECTION I -- GENERAL PURPOSE FINANCIAL STATEMENTS**

# SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

## INDEPENDENT AUDITORS' REPORT

**Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance Fund  
Towns of Newellton and St. Joseph, Louisiana**

We have audited the accompanying general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Towns' management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of June 30, 2001, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated on August 10, 2001 our consideration of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance's internal control structure on its compliance with laws and regulations.

Ferriday, Louisiana  
August 10, 2001

*Switzer, Hopkins & Mange*

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**BALANCE SHEET  
JUNE 30, 2001**

**ASSETS**

**Current assets:**

Cash	\$ 71,786
Certificates of deposit	60,516
Accounts receivable, trade (Note 2)	14,744
Interest receivable	<u>163</u>
Total assets	<u>147,209</u>

**LIABILITIES AND TOWNS' EQUITY**

**Current liabilities:**

Accounts payable	41,537
Customers' meter deposits	<u>165</u>
Total liabilities	<u>41,702</u>

**Towns' equity:**

Fund Balance	<u>105,507</u>
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Total liabilities and towns' equity	<u><u>\$ 147,209</u></u>
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The following notes are an integral part of these financial statements.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**STATEMENT OF INCOME AND TOWNS' EQUITY  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>Revenues:</b>	
Sale of gas	<u>\$ 692,058</u>
Cost of gas sold	<u>670,864</u>
Gross income from operations	<u>21,194</u>
<b>Operating expenses:</b>	
Manager's fee	12,200
Repairs and maintenance	2,830
Legal and audit	750
Office supplies and postage	264
Drug testing	330
Other expenses	755
Leak survey	<u>1,240</u>
Total operating expenses	<u>18,369</u>
Net operating (loss)	2,825
<b>Other income:</b>	
Interest income	<u>5,727</u>
Excess of revenues over expenses	8,552
Towns' equity at beginning of year	<u>96,955</u>
Towns' equity at end of year	<u><u>\$ 105,507</u></u>

The following notes are an integral part of these financial statements.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 686,161
Cash payments to suppliers for goods and services	(682,743)
Cash payments to manager for services	(12,200)
Net cash provided by operating activities	<u>(8,782)</u>
<b>Cash flows from non-capital financing activities</b>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>	<u>-</u>
<b>Cash flows from investing activities:</b>	
Investment income	<u>6,490</u>
Net increase in cash and cash equivalents	(2,292)
Cash and cash equivalents at July 1, 2000	<u>134,594</u>
Cash and cash equivalents at June 30, 2001	<u><u>\$ 132,302</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 2,825
<b>Adjustments to reconcile operating income to net cash (used) by operating activities:</b>	
<b>Changes in assets and liabilities:</b>	
Increase in accounts receivable	(5,897)
(Decrease) in accounts payable	<u>(5,710)</u>
Net cash provided by operating activities	<u><u>\$ (8,782)</u></u>

The following notes are an integral part of these financial statements.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2001**

**INTRODUCTION**

1. The Town of Newellton and the Town of St. Joseph Jointly Owned Gas Line Operation and Maintenance Fund are a joint venture of the two Northeast Louisiana Towns. Its purpose is to provide natural gas to the two towns and a few customers in the area. The gas is transmitted from local gas fields to the towns.
2. The gas line has no employees and is operated by a contractor.
3. The customers of the gas line include the two towns and approximately fifteen additional customers.
4. The Board of Aldermen and Mayors of the two Towns govern the gas line.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Town of Newellton and Town of St. Joseph Jointly Owned Gas Line have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

As the municipal governing authority, for reporting purposes, the Town of Newellton and Town of St. Joseph Jointly Owned Gas Line is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**C. FUND ACCOUNTING**

The Joint Gas Line uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2001**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

A fund is a separate accounting entity with a self-balancing set of accounts. The Joint Gas Line uses the proprietary fund for all of its operations. A description of the proprietary fund is as follows:

**Proprietary Funds**

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity is an important financial indicator. Proprietary funds include:

1. Enterprise fund-account for operations where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

**E. BUDGET**

The Joint Gas Line does not adopt a budget.

**F. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2001**

**NOTE 2 – ACCOUNTS RECEIVABLE**

The trade accounts receivable at June 30, 2001 are summarized below:

Towns of Newellton and St. Joseph, Louisiana	\$ 13,461
Other customers	<u>1,283</u>
<b>Total accounts receivable</b>	<b><u><u>\$ 14,744</u></u></b>

**NOTE 3 – ACCOUNTS PAYABLE**

The accounts payable at June 30, 2001 are summarized below:

Gas Company	<u>\$ 41,537</u>
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**NOTE 4 -- CASH AND CASH EQUIVALENTS**

*Under state law, the gas line may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.*

At June 30, 2001 the gas line had cash and cash equivalents according to the bank's balances totaling \$159,846 as follows:

Demand deposit	\$ 99,331
Time deposits	<u>60,515</u>
<b>Total</b>	<b><u><u>\$159,846</u></u></b>

Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 2001 are secured as follows:

Federal deposit insurance	<u>\$159,846</u>
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**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2001**

**NOTE 5 -- RELATED PARTY TRANSACTIONS**

The Towns of Newellton and St. Joseph, Louisiana own the joint gas line and are the major purchaser of gas. Their respective amounts of gas purchased are as follows:

Newellton	\$328,782
St. Joseph	<u>319,629</u>
	<u>\$648,411</u>

**SECTION II – COMPLIANCE/INTERNAL CONTROL**

# SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
*Jointly Owned Gas Line Operation and Maintenance Fund*  
Towns of Newellton and St. Joseph, Louisiana

We have audited the general-purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana *Jointly Owned Gas Line Operation and Maintenance Fund* as of and for the year ended June 30, 2001, and have issued our report thereon dated August 10, 2001. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Towns of Newellton and St. Joseph, Louisiana *Jointly Owned Gas Line Operation and Maintenance Fund's* general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Newellton and St. Joseph, Louisiana *Jointly Owned Gas Line Operation and Maintenance Fund's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider being reportable conditions. Reportable

**Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance Fund  
Page Two**

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Town of Newellton and St. Joseph Louisiana Jointly Owned Gas Line Operation and Maintenance Fund's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information and use of management of the district and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana  
August 10, 2001

*Switzer, Hopkins & Marge*

**SECTION III – SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2001**

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the general-purpose financial statements of the Town of Newellton and St. Joseph Jointly Owned Gas Line Operation and Maintenance Fund.
2. One reportable conditions in internal control disclosed during the audit of the general purpose financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards.
3. No instances of noncompliance certain laws and regulations were disclosed during the audit.

**B. Findings – Financial Statement Audit**

**2001 – 01 Segregation of Duties**

**Finding:** There is insufficient segregation of duties necessary to have an effective internal control.

**Recommendation:** Since the cost of an internal control system should not outweigh the benefits derived from it, we can only recommend that the Gas Line consider and analyze the costs versus the benefits associated with hiring additional administrative/accounting personnel.

**Response:** The Gas Line will implement certain changes outlined in page 17 of this report.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND  
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS (JUNE 30, 2000)  
JUNE 30, 2001**

**INTERNAL CONTROL FINDINGS**

**2000 - 1      Segregation of Duties**

**Finding:**                      There is an insufficient segregation of duties to have an effective internal control.

**Current status:**            This finding still applies and is noted in the current audit for the year ending June 30, 2000 as condition 2000 - 01.

**2000 - 2 Issuance of 1099's**

**Finding:**                      During the course of the audit, we noted that the manager of the Jointly Owned Gas Line was not issued a 1099 reporting fees earned for 1998.

**Current status:**            This problem has been corrected.

**SECTION IV - RESPONSE**

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA  
JOINT OPERATIONS AND MAINTENANCE GAS LINE  
POST OFFICE BOX 217  
ST. JOSEPH, LOUISIANA 71366

August 29, 2001

Switzer Hopkins & Mange  
P. O. Box 478  
Ferriday, LA 71334

Dear Mr. Hopkins:

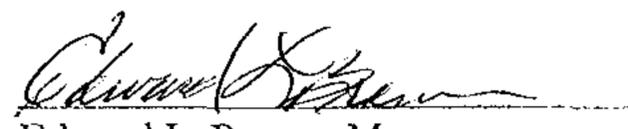
In regard to the segregations of duties internal control problem discussed in our audit for the year ended June 30, 2001, we will implement the following procedures in an effort to strengthen internal controls.

1. Mayor Davis from the Town of Newellton will receive unopened bank statements each month and will review monthly activity. The bank statements will then be sent to personnel at the Town of St. Joseph for reconciliation.
2. Personnel from the Town of St. Joseph will maintain the books on the joint line and prepare periodic financial reports which will be reviewed by the Mayors of Newellton and St. Joseph.
3. The employee(s) working the joint line will approve invoices for payment but will not have check signing authority.
4. Mayor Davis of Newellton and Mayor Brown of St. Joseph will have check signing authority.
5. Mayor Davis will direct gas purchases and Mayor Brown will direct the customer sales and collection functions.

Please let me know if you need additional information.

Sincerely,

  
Alex Davis, Mayor  
Town of Newellton

  
Edward L. Brown, Mayor  
Town of St. Joseph